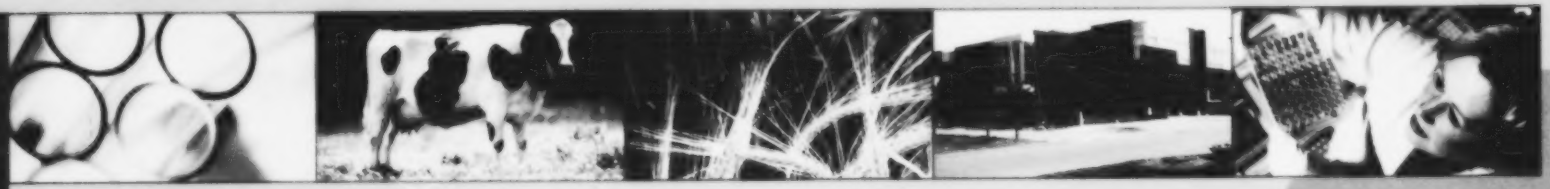
AAFC 2309

# Agricultural Research Institute of Ontario (ARIO)



## Annual Report 2007-2008

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# Ministry Vision and Role of the ARIO

## Ministry Vision

*"Thriving rural Ontario, agriculture, and food sectors."*

## Ministry Mission

*"A catalyst for transforming our agriculture and food sectors and rural communities for a healthy Ontario."*

The Ontario Ministry of Agriculture, Food and Rural Affairs invests significantly in research, education, technology transfer and analytical and diagnostic services to achieve the above vision. A strategic and coordinated priority setting system is integral to funding excellent research. The Agricultural Research Institute of Ontario is an important part of such a system.

## Role of the Agricultural Research Institute of Ontario (ARIO)

The Agricultural Research Institute of Ontario (ARIO) fills a unique role in providing advice on strategic directions for research activities that contribute to prosperous, competitive and sustainable agricultural, food and rural sectors in Ontario. The Institute was created in 1962 under the Agricultural Research Institute of Ontario Act and reports to the Minister of Agriculture, Food and Rural Affairs. ARIO's mandate, as defined by the Act, is to advocate areas of research for the betterment of agriculture, veterinary medicine and consumer studies and to increase production efficiency and marketing of agricultural products by stimulating interest in research.

**ARIO Mission Statement:**

ARIO, as appointed representatives of the agri-food sector, are dedicated to the strategic use of science and innovation to enhance the sustainability and profitability of Ontario's agri-food and rural sectors.

ARIO is composed of up to 15 members appointed by the Minister of Agriculture, Food and Rural Affairs.

### 2007-2008 ARIO Members

Murray Porteous, Chair (until Dec 07)
Larry Milligan, Acting Chair (Dec 07 to Current)
J.P. Connell, Vice Chair (until July 07)
Larry Milligan, Vice Chair (July 07 to Current)

Stewart Crossman
Greg Hannam
Mont Eno
Tom Sanderson
Larry Skinner
Carol Surgeoner
Doug Cleary
Cole Cacciavillani
Alma Conn
Phyllis Tanaka

Dave Antle, Director of Research (until Dec 07)
Karen Chan, Director of Research (Dec 07 to Current)

Ezio Di Emanuelle – AAFC (Associate)

**Secretariat support to ARIO is provided by the Research and Innovation Branch (OMAFRA):**

Dr. Gwen Zeller, Director
Rob Cunnington CA, Comptroller
Dr. Oswald Zachariah, Manager – Research Program Coordination
Jeff Schieck, Manager – Finance, Infrastructure and Administration

# Letter from the Chair

Guelph, Ontario
December 1, 2008

Honourable Leona Dombrowsky
Minister of Agriculture, Food and Rural Affairs
Legislative Buildings
Toronto, Ontario M7A 1A3

Dear Minister Dombrowsky:

On behalf of ARIO, I am pleased to submit the 44th annual report of the Agricultural Research Institute of Ontario (ARIO) for the fiscal year April 1, 2007 to March 31, 2008.

Members of the Agricultural Research Institute of Ontario have had another active and exciting year beginning with our recommendations to you on "Strategic Agri-Food and Rural Research Themes and Funding Processes for Ontario". We are pleased to see the Ministry has followed up on our recommendations and has since adopted new strategic research themes that will guide the province's agri-food R & D investment for years to come.

With the transfer of the research & education properties to ARIO completed late in 2006-07, ARIO began an extensive process to assess and evaluate its current R & D infrastructure portfolio and to develop a long term strategy/ vision that would identify the infrastructure necessary to meet the changing needs of agri-food research both currently and over the next 25 years, and begin to identify the steps necessary to get there.

This work includes an assessment of the current portfolio, a world wide scan of other agri-food research infrastructure including operational & ownership models, and significant input from our stakeholders, critical to ensuring their commitment and financial participation as we move forward. This report, when completed will hopefully guide long-term future investment and decision making with regard to our provincial agri-food research infrastructure, leading to a system that is better aligned with strategic research priorities, and more able to respond quickly to the market place.

The Agricultural Research Institute of Ontario continues to be very encouraged by the reception of the Ontario Ministry of Agriculture, Food and Rural Affairs to our advice. We appreciate the excellent work done by the ministry and its staff in implementing many of our key recommendations.

This report summarizes the activities of the ARIO over the past fiscal year and we are pleased to take this opportunity to share this information with you.

Sincerely,

Larry Milligan,
Acting Chair, Agricultural Research Institute of Ontario

# Chair and Director's Report

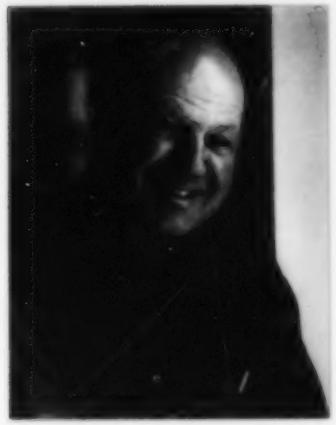
This has been another busy and exciting year in the history of the ARIO. With the transfer of the province's agri-food and rural research and development (R&D) infrastructure now complete, ARIO focused its attention to the future.

Building on the work started in 2006-07, ARIO provided recommendations to the Minister of Agriculture, Food and Rural Affairs on "Strategic Agri-Food and Rural Research Themes and Funding Processes for Ontario." Based on these recommendations, the ministry adopted the following strategic research themes:

- Production Systems
- Product Development & Enhancement through Value Chains
- Agriculture and Rural Policy
- Environmental Sustainability
- Bioeconomy - Industrial Uses
- Food for Health
- Emergency Management

These research themes are fundamental to the new partnership agreement between OMAFRA and the University of Guelph. OMAFRA's long-standing relationship with the University of Guelph has enhanced the research and scientific capacity that exists at the university today, contributing to its ranking as Canada's number one comprehensive research institution in 2007. Leveraging this partnership has resulted in an agri-food and rural research system that is unique to Ontario.

Ontario's agri-food sector is shifting from being focused primarily on the production of commodities to one that will be driven by developing products with embedded value – not only providing food for human and animal consumption, but also products and technologies that will help address societal needs and environmental and economic challenges.



Larry Milligan, Chair (Acting)
Agricultural Research
Institute of Ontario

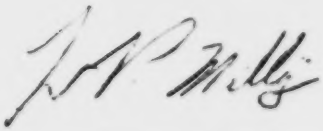
**Karen Chan,**
**Director of Research**
Agricultural Research
Institute of Ontario

In response to these challenges and to position ourselves for the future, in the fall of 2007, ARIO embarked on a process to assess and evaluate its current R&D infrastructure portfolio. In addition to looking at leading practices and research infrastructure models from around the world, the process included extensive consultations with our agri-food and rural stakeholders. The results from those discussions indicate a desire to forge new relationships with ARIO. Increased collaboration and participation with our federal, industry and regional partners will ensure that Ontario's agri-food and rural R&D infrastructure supports value-added economic sustainability in Ontario, benefiting not only our agri-food sector and rural communities, but all Ontarians.

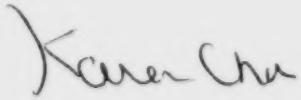
ARIO expects to make final recommendations on the strategy to the Minister of Agriculture, Food and Rural Affairs in 2008-09 that will guide future investment and decision making, leading to a system that is aligned with strategic research priorities, supports excellence in research, encourages third party collaboration and investment, and promotes operational efficiencies.

ARIO is seizing the opportunity to take part in the province's renewed focus on research and innovation. Broadening the scope of our research and development initiatives will help agriculture extend its current reach and be positioned as a key contributor to Ontario's innovation agenda. Investment in rural economic development and agri-food research and innovation is critical to the success of Ontario's global competitiveness and economic prosperity. The right research with the right infrastructure platform will help make this happen.

We wish to thank all members of ARIO for their continued enthusiasm and effort as we move forward with this very important work and we look forward to exciting challenges and opportunities in the year ahead.



Larry Milligan, Acting Chair
Agricultural Research Institute of Ontario



Karen Chan, Director of Research
Agricultural Research Institute of Ontario

# Financial Information

## Statement of Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including May 16, 2008.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:

Karen Chan
Director of Research

Rob Cunnington, C.A.
Comptroller

# Auditors' Report

Chartered Accountants
and Business Advisors

To the Members of the Agricultural
Research Institute of Ontario

We have audited the statement of financial position of Agricultural Research Institute of Ontario as at March 31, 2008 and the statement of revenues and expenditures for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2008 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Guelph, Ontario
May 16, 2008

Chartered Accountants
Licensed Public Accountants

# Financial Information

## Statement 1

### Statement of Financial Position

For the Year Ended
March 31, 2008

**ASSETS**

| | 2008 (schedule 1) | 2007 |
|---|---|---|
| Cash | $ 85,046 | $ 794,104 |
| Temporary investments | 10,230,784 | 9,663,880 |
| Accounts receivable | 538,137 | 529,097 |
| Capital assets (note 3) | 58,876,358 | 60,857,867 |
| | $ 69,730,325 | $ 71,844,948 |

**LIABILITIES**

| | | |
|---|---|---|
| Accounts payable and accruals | $ 890,119 | $ 1,034,453 |
| Holdbacks payable | 315,842 | 188,269 |
| Unclaimed expenditures | 4,462,728 | 4,880,084 |
| Deferred capital contributions (note 4) | 44,787,485 | 46,768,994 |
| | 50,456,174 | 52,871,800 |

**NET ASSETS**

| | | |
|---|---|---|
| Fund balances | 19,274,151 | 18,973,148 |
| | $ 69,730,325 | $ 71,844,948 |

# Statement 2

## Combined Statement of Revenues and Expenditures and Changes in Fund Balances

For the Year Ended
March 31, 2008

| | | | 2008 (schedule 2) | 2007 |
|---|---|---|---|---|
| **REVENUES** | **Research:** | Grants - Provincial (note 7) | $ 2,073,241 | $ 560,953 |
| | | Grants - Federal | 979,926 | 284,851 |
| | | Grants - other | 100,000 | 104,375 |
| | | Royalties | 719,369 | 923,658 |
| | | | 3,872,536 | 1,873,837 |
| | **Property:** | Grants - Provincial - Minor Capital (note 7) | 4,250,000 | 4,000,000 |
| | | Leases - Private industry | 0 | 540,432 |
| | | Rental income - Provincial | 327,715 | 0 |
| | | Rental income - Private industry | 586,430 | 0 |
| | | Operations and maintenance - Provincial | 414,228 | 0 |
| | | Operations and maintenance - Private industry | 9,722 | 0 |
| | | Transfer payments - payments in lieu of taxes | 357,000 | 0 |
| | | Payments in lieu of taxes | 65,529 | 0 |
| | | Amortization of deferred capital contribution | 2,170,289 | 148,133 |
| | | | 8,180,913 | 4,688,565 |
| | **Other:** | Investment income | 453,557 | 468,650 |
| | | | **12,507,006** | **7,031,052** |
| **EXPENDITURES** | **Research:** | Research project/program - Provincial | 2,289,874 | 2,036,513 |
| | | Research project/program - Other | 1,762,554 | 615,752 |
| | | Royalty expenses | 671,452 | 333,347 |
| | | | 4,723,880 | 2,985,612 |
| | **Property:** | Payments in lieu of taxes | 469,741 | 58,050 |
| | | Minor capital | 4,418,647 | 4,549,021 |
| | | Operations and maintenance | 615,380 | 0 |
| | | Amortization of capital assets | 2,170,289 | 148,133 |
| | | | 7,674,057 | 4,755,204 |
| | **Other:** | Write down of investments | 0 | 12,117 |
| | | Other expenses | 278,615 | 290,272 |
| | | | 278,615 | 302,389 |
| | | | **12,676,552** | **8,043,205** |
| | **NET EXPENDITURES OVER REVENUES for the year** | | (169,546) | (1,012,153) |
| | **FUND BALANCES, beginning of year** | | 18,973,148 | 8,291,066 |
| | **NET AMOUNT TRANSFERRED FROM (TO) UNCLAIMED EXPENDITURES** | | 417,356 | (2,384,845) |
| | **CONTRIBUTED ASSETS** (note 5) | | 0 | 14,079,080 |
| | **UNREALIZED APPRECIATION IN INVESTMENTS** | | 53,193 | 0 |
| | **FUND BALANCES, end of year** | | **$ 19,274,151** | **$ 18,973,148** |

# Financial Information

## Notes to the Financial Statements

For the Year Ended
March 31, 2008

### 1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri-Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions Research Program
- Food Safety Research Program
- Life Science and Agri-Food Innovation Fund (LAIF)
- Nutrient Management Joint Research Program (NMJRP)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**(a) INVESTMENTS**

Investments classified as available-for-sale are recorded at market value. Investments classified as held-to-maturity are recorded at amortized cost. Unrealized gains and losses on available-for-sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

**(b) UNCLAIMED EXPENDITURES**

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

**(c) CAPITAL ASSETS**

Capital assets are amortized using the following annual rate and method:

| | |
|---|---|
| Buildings | 40 years straight line |

## Notes to the Financial Statements

For the Year Ended
March 31, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(d) IMPAIRMENT OF LONG LIVED ASSETS**

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

**(e) DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

**(f) INCOME TAXES**

ARIO is not subject to income taxes.

**(g) RESTRICTIONS ON THE EXPENDITURE OF FUNDS**

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

**(h) FINANCIAL INSTRUMENTS**

Fair value of financial assets and financial liabilities

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, unclaimed expenditures and holdbacks approximate their fair value due to the relatively short periods to maturity of these items.

**(i) USE OF ESTIMATES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

**(j) DEFERRAL METHOD**

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

## 3. CAPITAL ASSETS

| | Cost | Accumulated Amortization | Net 2008 | Net 2007 |
|---|---|---|---|---|
| **LAND:** | | | | |
| Cambridge Railway Line | $ 9,793 | $ 0 | $ 9,793 | $ 9,793 |
| Colleges | 3,099,400 | 0 | 3,099,400 | 3,099,400 |
| Research Stations | 10,979,680 | 0 | 10,979,680 | 10,979,680 |
| | 14,088,873 | 0 | 14,088,873 | 14,088,873 |
| **BUILDINGS:** | | | | |
| Colleges | 27,423,615 | 1,133,624 | 26,289,991 | 27,423,615 |
| Research Stations | 19,682,292 | 1,184,798 | 18,497,494 | 19,345,379 |
| | 47,105,907 | 2,318,422 | 44,787,485 | 46,768,994 |
| | **$ 61,194,780** | **$ 2,318,422** | **$ 58,876,358** | **$ 60,857,867** |

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately $60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non arms's length parties, is non monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

## 4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario.

## 5. CONTRIBUTED ASSETS

Contributed assets represents the cost of the land transferred to ARIO from the Government of Ontario.

## Notes to the Financial Statements

For the Year Ended
March 31, 2008

### 6. ARIO RESEARCH FUND

| | Designated Funds | Seed Royalty | Technology Transfer | Unpledged Equity | Total 2008 | Total 2007 |
|---|---|---|---|---|---|---|
| Grant income | $ 0 | $ 0 | $ 0 | $ 260,115 | $ 260,115 | $ 266,423 |
| Royalties | 0 | 574,942 | 144,427 | 0 | 719,369 | 923,658 |
| Investment income | 2,871 | 27,460 | 27,306 | 1,960 | 59,597 | 61,873 |
| | 2,871 | 602,402 | 171,733 | 262,075 | 1,039,081 | 1,251,954 |
| Expenses | 72,782 | 620,654 | 54,023 | 275,228 | 1,022,687 | 649,717 |
| Investment write-down | 0 | 0 | 0 | 0 | 0 | 12,117 |
| Net (deficit) surplus for the year | (69,911) | (18,252) | 117,710 | (13,153) | 16,394 | 590,120 |
| Fund balance, beginning of the year | 73,656 | 790,272 | 715,666 | 60,464 | 1,640,058 | 1,799,276 |
| Transfer to LAIF | 0 | 0 | 0 | 0 | 0 | (750,000) |
| Unrealized appreciation in investments | 256 | 4,505 | 5,005 | 291 | 10,057 | 0 |
| Transfer from unclaimed expenditures | 1,262 | 0 | 0 | 0 | 1,262 | 662 |
| Fund balance, end of year | $ 5,263 | $ 776,525 | $ 838,381 | $ 47,602 | $ 1,667,771 | $ 1,640,058 |

### 7. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

| | 2008 | 2007 |
|---|---|---|
| The following grants have been received from the Ministry of Agriculture, Food and Rural Affairs (OMAFRA): | | |
| Minor capital | $4,250,000 | $4,000,000 |
| New Directions Research Program | 450,000 | 0 |
| Food Safety Research Program | 500,000 | 0 |
| Nutrient Management Joint Research Program | 613,126 | 240,855 |
| Alternative Renewable Fuels | 250,000 | 0 |
| Payments in lieu of taxes | 357,000 | 58,050 |
| | 6,420,126 | 4,298,905 |
| The following grant has been funded by the Ministry of Research and Innovation (MRI): | | |
| Ontario Research Fund - indirect costs (OFRIC) | 260,115 | 262,048 |
| | $6,680,241 | $4,560,953 |

### 8. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented as it would provide no additional meaningful information.

### 9. COMPARATIVE FIGURES

Prior year's figures have been reclassified to conform to the current year's presentation.

# Financial Information

Research Trust Funds

## Schedule 1 - Financial Position

As at March 31, 2008

| | ARIO (note 3) | Infrastructure (note 3) | ARF | VMAP | New Directions | Food Safety | LAIF | NMJRP | Eliminations | March 31, 2008 Total (statement 1) |
|---|---|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **ASSETS** | | | | | | | | | | |
| Cash | 85,046 | | | | | | | | | 85,046 |
| Temporary investments | 10,230,784 | | | | | | | | | 10,230,784 |
| Due from ARIO | 0 | 2,811,192 | 260,350 | 715,568 | 3,362,559 | 870,789 | 138,893 | 212,196 | (8,371,547) | 0 |
| Accounts receivable | 135,175 | 1,870 | 314,184 | 1,560 | 12,041 | 1,898 | 71,015 | 394 | | 538,137 |
| Capital assets (note 3) | 9,793 | 58,866,565 | | | | | | | | 58,876,358 |
| | 10,460,798 | 61,679,627 | 574,534 | 717,128 | 3,374,600 | 872,687 | 209,908 | 212,590 | (8,371,547) | 69,730,325 |
| **LIABILITIES** | | | | | | | | | | |
| Due to other research trust funds | 8,371,547 | | | | | | | | (8,371,547) | 0 |
| Accounts payable and accruals | 384,949 | 86,367 | 4,652 | 20,000 | 214,205 | 89,716 | | 90,230 | | 890,119 |
| Holdbacks payable | | | | | 207,102 | 30,450 | 78,290 | | | 315,842 |
| Unclaimed expenditures | 36,531 | | 21,358 | 688,048 | 2,467,717 | 686,359 | | 562,715 | | 4,462,728 |
| Deferred capital contributions (note 4) | | 44,787,485 | | | | | | | | 44,787,485 |
| | 8,793,027 | 44,873,852 | 26,010 | 708,048 | 2,889,024 | 806,525 | 78,290 | 652,945 | (8,371,547) | 50,456,174 |
| **FUND BALANCES** | 1,667,771 | 16,805,775 | 548,524 | 9,080 | 485,576 | 66,162 | 131,618 | (440,355) | | 19,274,151 |
| | 10,460,798 | 61,679,627 | 574,534 | 717,128 | 3,374,600 | 872,687 | 209,908 | 212,590 | (8,371,547) | 69,730,325 |

See accompanying notes

# Schedule 2 - Revenues and Expenditures

As at March 31, 2008

| | | ARIO (note 6) | Infrastructure | ARF | VMAP | New Directions | Food Safety | LAIF | NMJRP | March 31, 2008 Total (statement 2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | |
| **Research:** | Grants - Provincial | 260,115 | | 250,000 | | 450,000 | 500,000 | | 613,126 | 2,073,241 |
| | Grants - Federal | | | 333,544 | | | | 646,382 | | 979,926 |
| | Grants - Other | | | 100,000 | | | | | | 100,000 |
| | Royalties | 719,369 | | | | | | | | 719,369 |
| | | 979,484 | 0 | 683,544 | 0 | 450,000 | 500,000 | 646,382 | 613,126 | 3,872,536 |
| **Property:** | Grants - Provincial - Minor Capital | | 4,250,000 | | | | | | | 4,250,000 |
| | Rental income - Provincial | | 327,715 | | | | | | | 327,715 |
| | Rental income - Private industry | | 586,430 | | | | | | | 586,430 |
| | Operations and Maintenance - Provincial | | 414,228 | | | | | | | 414,228 |
| | **Operations and Maintenance - Private industry** | | 9,722 | | | | | | | 9,722 |
| | **Transfer payments - payments in lieu of taxes** | | 357,000 | | | | | | | 357,000 |
| | **Payments in lieu of taxes** | | 65,529 | | | | | | | 65,529 |
| | **Amortization of deferred capital contribution** | | 2,170,289 | | | | | | | 2,170,289 |
| | | 0 | 8,180,913 | 0 | 0 | 0 | 0 | 0 | 0 | 8,180,913 |
| **Other:** | **Investment income** | 59,597 | 45,971 | 13,249 | 30,371 | 246,217 | 35,671 | 17,669 | 4,812 | 456,557 |
| | | **1,039,081** | **8,226,884** | **696,793** | **30,371** | **696,217** | **535,671** | **664,051** | **617,938** | **12,507,006** |
| **EXPENDITURES** | | | | | | | | | | |
| **Research:** | Research project\program - Provincial | 2,620 | | | 42,476 | 1,338,938 | 407,411 | | 498,429 | 2,289,874 |
| | Research project\program - other | 70,000 | | 480,181 | | | | 1,212,373 | | 1,762,554 |
| | Royalties | 671,452 | | | | | | | | 671,452 |
| | | 744,072 | 0 | 480,181 | 42,476 | 1,338,938 | 407,411 | 1,212,373 | 498,429 | 4,723,880 |
| **Property:** | Payments in lieu of taxes | | 469,741 | | | | | | | 469,741 |
| | Minor capital | | 4,418,647 | | | | | | | 4,418,647 |
| | Operations and maintenance | | 615,380 | | | | | | | 615,380 |
| | Amortization of capital assets | | 2,170,289 | | | | | | | 2,170,289 |
| | | 0 | 7,674,057 | 0 | 0 | 0 | 0 | 0 | 0 | 7,674,057 |
| **Other:** | Other expenses | 278,615 | | | | | | | | 278,615 |
| | | **1,022,687** | **7,674,057** | **480,181** | **42,476** | **1,338,938** | **407,411** | **1,212,373** | **498,429** | **12,676,552** |
| | **Net revenue (expenses)** | 16,394 | 552,827 | 216,612 | (12,105) | (642,721) | 128,260 | (548,322) | 119,509 | (169,546) |
| | **Fund balance, beginning of year** | 1,640,058 | 14,087,590 | (168,426) | 645,532 | 3,661,239 | 265,433 | (344,528) | (813,750) | 18,973,148 |
| | **Net amount transferred from (to) unclaimed expenditures** | 1,262 | | 498,991 | (628,048) | (399,516) | (332,035) | 1,023,750 | 252,952 | 417,356 |
| | **Unrealized appreciation in investments** | 10,057 | 3,358 | 1,347 | 3,701 | 28,574 | 4,504 | 718 | 934 | 53,193 |
| | **Inter fund transfer** | | 2,162,000 | | | (2,162,000) | | | | 0 |
| | **Fund balance, end of year** | **1,667,771** | **16,805,775** | **548,524** | **9,080** | **485,576** | **66,162** | **131,618** | **(440,355)** | **19,274,151** |

See accompanying notes

# ARIO Highlights for 2007-2008

## General

### Membership

- Dr. Larry Milligan, Dr. Moni Eino and Mr Larry Skinner were appointed as members. Dr. Milligan was later appointed as Vice-Chair and then Acting Chair.

### Innovation Forum

- 3rd Agri-Food Innovation Forum was held in Ottawa in October 2007. The theme of the event was Environmental Solutions Through Agriculture.
- The 4th Agri-Food Innovation Forum was held in conjunction with the South-west Agricultural Conference held in January 2008 at Ridgetown College with the theme of Succession Planning.

### The Public Service of Ontario Act, 2006 (PSOA)

- The PSOA replaced the existing Public Service Act and came into effect in August 2007. ARIO and its members are included under the new Act. There are implications for ARIO members and staff in the area of oaths, political activity, ethical conduct and conflict of interest. Training and information sessions were organized for the members during the year.

## Research Priority Setting

- OMAFRA approved and established new research themes based on recommendations made by ARIO; confirmed by a letter from Minister Dombrowsky to the Chair, Murray Porteous on May 18, 2007.
- The Chair of ARIO was invited to participate as an ex officio member of the Ontario Research and Innovation Council which reports to Ministry of Research and Innovation (MRI).
- ARIO participated in the expert panel process that provided recommendations on the Resources Management and Environment research program operated by the University of Guelph under the OMAFRA/University of Guelph Agreement.

## Infrastructure

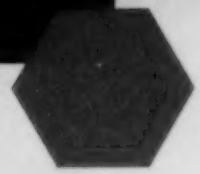
The 2007-08 fiscal year was the first full year of ARIO's ownership of the 14 research stations and 3 colleges, and much of the organization's time was spent working on planning the future for these facilities, both strategically and in terms of managing the properties.

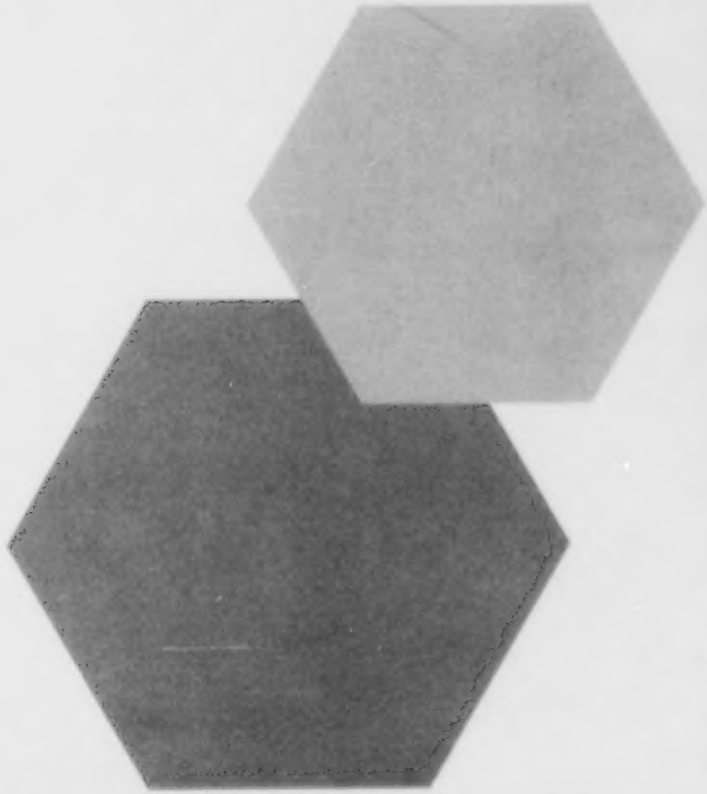
### Strategic Direction:

- KPMG was engaged to help develop a long-term research infrastructure strategy, including consulting with stakeholders. A steering committee comprising ARIO members, OMAFRA staff and University of Guelph staff provided substantial input into the process, resulting in a comprehensive strategy that will be presented to the Minister of Agriculture, Food and Rural Affairs in early 2009.
- ARIO participated in a provincially-led process with the City of Guelph to develop a strategy for land owned by the province in the City's York District. These lands include ARIO owned property occupied by the Guelph Turfgrass Institute and agro-forestry. The City of Guelph will use the results of this process to inform further planning in the area.
- ARIO worked with Vineland Research and Innovation Centre to act on recommendations out of the 2006 Vineland Renaissance Advisory Panel report. The province committed $25 million towards the development of a research and innovation centre that is being positioned as an international hub for horticulture and floriculture science, discovery and commercialization.
- There are ongoing discussions with the Ontario Equine Centre (OEC) Steering Committee regarding a proposal to develop an equine centre on the Arkell site. This proposal is being further refined by the OEC, who are preparing a comprehensive business plan. When it is completed, the OEC will submit its plan to ARIO, OMAFRA and the Ontario Ministry of Energy and Infrastructure.

### Property Management:

- Developed and implemented process, principles and criteria for evaluating future infrastructure proposals
- Developed the first ARIO Infrastructure Plan
- Held discussions with the City of Guelph to improve municipal infrastructure surrounding the Guelph Turfgrass Institute site
- Renewed leases with tenants
- Brought in new tenants at theSimcoe and Vineland research stations who complement and support the primary research focus of the stations
- Managed ongoing landlord/tenant relations/operations (more than 40 government and non-government tenants) and oversaw property management service providers
- Participated in government capital asset planning/management .
- ARIO oversees a minor capital program totalling $4 million ($3 million for Base Building Investment program and $1 million for Program-Related Infrastructure Renewal). Combined, these programs supported more than 90 projects focused on renewal and upgrading of the infrastructure and equipment.
- Administered payments in lieu of taxes (PILS) program across all properties ($650k)





Mixed Sources
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